

CITY OF CASCADE, IOWA

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION

June 30, 2015

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CITY OF CASCADE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Henry	Mayor	Jan. 2016
Steven Knepper	Mayor Pro tem	Jan. 2016
Pat Kearney	Council Member	Jan. 2016
Bill Hosch	Council Member	Jan. 2018
Gregory Staner	Council Member	Jan. 2018
Ed Recker	Council Member	Jan. 2018
Deanna McCusker	City Administrator	Indefinite
Danielle Hartke	City Clerk/Treasurer	Indefinite
Doug Henry	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Cascade, Iowa as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, and each major fund of the City of Cascade as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Cascade adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on the June 30, 2014, 2013, 2012, and 2011 financial statements and a qualified opinion on the June 30, 2010 financial statements, all of which were prepared on the basis of cash basis and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information, the Schedule of the City's and Utility's Proportionate Share of the Net Pension Liability and the Schedule of City and Utility Contributions on pages 7 through 14 and 38 through 43, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2015 on our consideration of the City of Cascade's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Cascade's internal control over financial reporting and compliance.

Elkader, Iowa

December 4, 2015



Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CASCADE

Mayor: Mike Henry
City Administrator: Deanna McCusker

City Clerk/Treasurer:
Danielle Hartke

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P.O. Box 400
Cascade, IA 52033
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Council Members:
Bill Hosch
Pat Kearney
Steve Knepper
Ed Recker
Greg Staner

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cascade provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

2015 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 10.2%, or approximately \$ 190,000 from fiscal 2014 to fiscal 2015. Property taxes (including TIF receipts) increased approximately \$ 69,000.

Disbursements of the City's governmental activities decreased 30.3%, or approximately \$ 768,000 in fiscal 2015 from fiscal 2014. Capital projects disbursements decreased approximately \$ 866,000.

The City's total cash basis net position decreased 12.8%, or approximately \$ 331,000 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$ 459,000 and the cash basis net position of the business type activities increased approximately \$ 128,000. The discretely presented component unit's (Cascade Municipal Utilities) cash basis net position increased 16.5%, or approximately \$ 435,000 to approximately \$ 3.073 million.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole, including the discretely presented component unit, and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within the annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Cascade is fiscally responsible. These activities, defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, the City of Cascade.

The component unit presentation consists of one legal entity, the Cascade Municipal Utilities.

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into three kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

Discretely Presented Component Unit consists of Cascade Municipal Utilities, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include [a] the General Fund, [b] the Special Revenue Funds, such as Urban Renewal Tax Increment, [c] the Debt Service Fund and [d] the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to account for business type activities. The City maintains three Enterprise Funds to

provide separate information for the Water, Sewer and Garbage Funds, considered to be major funds of the City.

The required financial statement for the proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$ 1.407 million to approximately \$ 948,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service	\$ 372	276
Operating grants and contributions	228	220
Capital grants and contributions	0	7
General Receipts:		
Property tax	1,153	1,084
Other local taxes	253	244
Unrestricted grants	9	0
Unrestricted interest on investments	13	16
Other general receipts	13	4
Total receipts	<u>2,041</u>	<u>1,851</u>
Disbursements:		
Public safety	448	240
Public works	423	346
Culture and recreation	195	176
Community and economic development	50	121
General government	221	223
Debt Service	427	560
Capital Projects	769	1,635
Total disbursements	<u>2,533</u>	<u>3,301</u>
Change in cash basis net position before transfers	(492)	(1,450)
Transfers, net	<u>33</u>	<u>128</u>

Change in cash basis net position	(459)	(1,322)
Cash basis net position beginning of year	<u>1,407</u>	<u>2,729</u>
Cash basis net position end of year	<u>\$ 948</u>	<u>1,407</u>

The City's total receipts for governmental activities increased 10.2% or approximately \$ 190,000. The total cost of all programs and services decreased approximately \$ 768,000, or 30.3%. The increase in receipts was due primarily to an increase in charges for service, a result of transferring the Enterprise, Garbage Fund activities to the General Fund.

The decrease in disbursements was due primarily to a decrease in capital projects spending of approximately \$ 866,000. Preliminary costs (i.e. engineering) for the wastewater treatment plant accounted for two-thirds of the 2015 capital projects disbursements.

The City property tax rate remained unchanged for 2015. However, because of increased valuations, City property tax receipts increased approximately \$ 27,000. Again with no increase in the rate, property tax receipts are budgeted to increase approximately \$ 3,000 next year.

The cost of all governmental activities was approximately \$ 2.533 million compared to approximately \$ 3.301 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16 - 17, the amount taxpayers ultimately financed for these activities was approximately \$ 1.932 million because some of the cost was paid by those directly benefiting from the programs (\$ 372,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$ 228,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service increased in 2015 from approximately \$ 503,000 to approximately \$ 600,000. The City paid for the remaining "public benefit" portion of governmental activities (\$ 1.932 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts		
Program receipts:		
Charges for service:		
Water	\$ 338	330
Sewer	425	286
Garbage	61	130

General receipts:		
Unrestricted interest on investments	3	6
Other general receipts	24	3
Total receipts	<u>851</u>	<u>755</u>
Disbursements		
Water	429	203
Sewer	200	154
Garbage	61	104
Total disbursements	<u>690</u>	<u>461</u>
Change in cash basis net position before transfers	161	294
Transfers, net	<u>(33)</u>	<u>(128)</u>
Change in cash basis net position	128	166
Cash basis net position beginning of year	<u>1,187</u>	<u>1,021</u>
Cash basis net position end of year	<u>\$ 1,315</u>	<u>1,187</u>

The business type activities receipts for the fiscal year were approximately \$ 851,000 compared to approximately \$ 755,000 last year. The increase was due primarily to an increase in sewer rates. Cash basis net position increased approximately \$ 128,000 from 2014. Total disbursements for the fiscal year increased 49.7%, or approximately \$ 229,000, due primarily to a \$ 165,000 increase in debt service requirements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cascade completed the year, its governmental funds reported a combined fund balance of \$ 947,517, a decrease of \$ 459,124 from last year's total of \$ 1,406,641. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 5,166 from the prior year to \$ 1,637,023.

The Special Revenue, Road Use Tax Fund, cash balance increased \$ 8,355 to \$ 35,079. Road use tax receipts increase \$ 8,914. The City intends to use this money for general street maintenance.

The Special Revenue, Employee Benefits Fund cash balance increased \$ 11,691 to \$ 18,570. This is earmarked to pay employment taxes and benefits.

The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 364,873, a decrease at \$ 91,304 from the previous year. Disbursements included \$ 34,497 for tax rebates. In addition, \$ 350,554 was

transferred to the Debt Service Fund for debt retirement and \$ 203,800 was transferred to the General Fund to retire internal loans. Also, \$ 100,000 was transferred to the Capital Projects Fund for projects in the TIF district.

The Debt Service Fund cash balance increased \$ 2,277. Long-term debt principal and interest payments decreased \$ 132,840 in fiscal year 2015.

The Capital Projects Fund cash balance decreased \$ 512,004 to a deficit of \$ 1,227,000 in fiscal year 2015. Capital projects disbursements decreased \$ 866, 238 to \$ 769,0014 in fiscal 2015. Disbursements were primarily for engineering on a new wastewater treatment plant.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased \$ 119,153 to \$ 644,532. The cash balance decrease was primarily due to \$ 100,501 of debt service requirements in 2015.

The Enterprise, Sewer Fund cash balance increased \$ 224,889 to \$ 453,443. The cash balance increase was due to an increase in sewer rates to fund the cost of construction of a new wastewater treatment plant.

The Enterprise, Garbage Fund cash balance increased \$ 21,901 to \$ 217,115 due to the sale of the garbage truck. As of January 1, 2015, garbage collection services were transferred to the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year the City amended its budget once. The amendment was approved on May 26, 2015 and resulted in an increase in budgeted disbursements of \$ 16,940.

The City receipts were \$ 215,782 less than budgeted. This was primarily due to the City's receiving less in grant funds than anticipated.

The City's disbursements were \$ 757,328 less than budgeted, primarily due to capital projects and business type activities disbursements being \$ 188,996 and \$ 439,942 less than budgeted, respectively.

DEBT SERVICE

At June 30, 2015, the City had \$ 3,866,828 in bonds and notes outstanding, as shown on the next page.

Outstanding Debt at Year End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation notes	\$ 352	424
General obligation bonds	2,640	2,975
Revenue notes	0	62
Revenue bonds	875	915
Total	\$ 3,867	4,376

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 2,991,823 is well below its constitutional debt limit of nearly \$ 6.7 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cascade's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees that will be charged for various City activities. One of these factors is the economy. Sales tax receipts increased \$ 8,732 in fiscal 2015, an increase of 3.6%. Taxable property valuation increased approximately \$ 1.444 million or 2.2%. Over the last 10 years, the City's population has increased by 201 to 2,159 and that trend is expected to continue.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$ 13.197 million, an increase of 97.6% over the final 2015 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$ 393,000 by the close of fiscal year 2016.

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Danielle Hartke, City Clerk; 320 1st Avenue West; Cascade, Iowa 52033-0400.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF CASCADE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the Year Ended June 30, 2015

Functions/Programs:	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Primary Government Business Type Activities	Discretely Presented Component Unit
Governmental activities:						
Public safety	\$ 447,732	151,031	-	(296,701)	-	(296,701)
Public works	422,755	133,256	224,498	(65,001)	-	(65,001)
Culture and recreation	195,190	44,756	3,428	(147,006)	-	(147,006)
Community and economic development	50,399	4,167	-	(46,232)	-	(46,232)
General government	220,705	32,812	-	(187,893)	-	(187,893)
Debt service	426,924	6,503	-	(420,621)	-	(420,621)
Capital projects	769,004	-	-	(769,004)	-	(769,004)
Total governmental activities	2,532,709	372,325	227,926	(1,932,458)	-	(1,932,458)
Business type activities:						
Water	428,512	338,142	-	-	(90,370)	(90,370)
Sewer	200,405	424,554	-	-	224,149	224,149
Garbage	61,192	60,615	-	-	(577)	(577)
Total business type activities	690,109	823,311	-	-	133,202	133,202
Total primary government	\$ 3,222,818	1,195,636	227,926	(1,932,458)	133,202	(1,799,256)
Discretely presented component unit:						
Cascade Municipal Utilities	\$ 2,787,969	3,071,656	-			283,687
General Receipts and Transfers:						
Property tax				562,450	-	562,450
Tax increment financing				590,521	-	590,521
Local option sales tax				252,779	-	252,779
Unrestricted grants				9,438	-	9,438
Unrestricted interest on investments				12,556	3,315	15,871
Miscellaneous				12,590	2,546	15,136
Sale of capital assets				-	21,574	21,574
Transfers				33,000	(33,000)	-
Total general receipts and transfers				1,473,334	(5,565)	1,467,769
Change in cash basis net position				(459,124)	127,637	(331,487)
Cash basis net position beginning of year				1,406,641	1,187,453	2,594,094
Cash basis net position end of year	\$ 947,517	1,315,090	2,262,607			3,072,816

(continued)

CITY OF CASCADE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the Year Ended June 30, 2015

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	
Cash Basis Net Position:				
Restricted:				
Nonexpendable:				
Utility deposits \$	-	19,874	19,874	62,067
Expendable:				
Streets	35,079	-	35,079	-
Urban renewal purposes	364,873	-	364,873	-
Debt service	2,277	82,222	84,499	230,073
Other purposes	135,265	-	135,265	-
Unrestricted	410,023	1,212,994	1,623,017	2,780,046
Total cash basis net position	\$ 947,517	1,315,090	2,262,607	3,072,186

See notes to financial statements.

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2015

Exhibit B

	Special Revenue							
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects	Total
Receipts:								
Property tax	\$ 538,756	-	23,694	-	-	-	-	562,450
Tax increment financing	-	-	-	-	590,521	-	-	590,521
Other city tax	136,084	-	-	116,695	-	-	-	252,779
Licenses and permits	27,754	-	-	-	-	-	-	27,754
Use of money and property	14,687	-	-	-	149	-	-	14,836
Intergovernmental	30,373	224,498	233	-	2,710	-	-	257,814
Changes for service	308,389	-	-	-	-	-	-	308,389
Special assessments	-	-	-	-	-	6,303	-	6,303
Miscellaneous	15,572	-	-	-	4,167	-	-	19,739
Total receipts	1,071,615	224,498	23,927	116,695	597,547	6,303	-	2,040,585
Disbursements:								
Operating:								
Public safety	447,732	-	-	-	-	-	-	447,732
Public works	223,984	198,771	-	-	-	-	-	422,755
Culture and recreation	195,190	-	-	-	-	-	-	195,190
Community and economic development	15,902	-	-	-	34,497	-	-	50,399
General government	220,705	-	-	-	-	-	-	220,705
Debt service	-	-	-	-	-	426,924	-	426,924
Capital projects	-	-	-	-	-	-	769,004	769,004
Total disbursements	1,103,513	198,771	-	-	34,497	426,924	769,004	2,532,709
Excess (deficiency) of receipts over (under) disbursements	(31,898)	25,727	23,927	116,695	563,050	(420,621)	(769,004)	(492,124)
Other financing sources (uses):								
Operating transfers in	223,408	-	-	-	-	422,898	257,000	913,306
Operating transfers out	(196,344)	(17,372)	(12,236)	-	(654,354)	-	-	(890,306)
Total other financing sources (uses)	37,064	(17,372)	(12,236)	-	(654,354)	422,898	257,000	33,000
Change in cash balances	5,166	8,355	11,691	116,695	(91,304)	2,277	(512,004)	(459,124)
Cash balances beginning of year	1,631,857	26,724	6,879	-	456,177	-	(714,996)	1,406,641
Cash balances end of year	\$ 1,637,023	35,079	18,570	116,695	364,873	2,277	(1,227,000)	947,517

(continued)

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2015

Exhibit B
(continued)

	Special Revenue						
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects
Cash Basis Fund Balances:							
Restricted for:							
Streets	\$ -	35,079	-	-	-	-	-
Urban renewal purposes	-	-	-	-	364,873	-	-
Debt service	-	-	-	-	-	2,277	-
Other purposes	-	-	18,570	116,695	-	-	-
Committed for:							
Police car	13,878	-	-	-	-	-	-
Fire truck	25,029	-	-	-	-	-	-
Riverview Park wall	21,419	-	-	-	-	-	-
Truck	3,739	-	-	-	-	-	-
Self-funded health insurance	23,735	-	-	-	-	-	-
Swimming pool	59,744	-	-	-	-	-	-
Cable	1,913	-	-	-	-	-	-
Parks/playground	22,673	-	-	-	-	-	-
Street equipment	10,090	-	-	-	-	-	-
Library	12,524	-	-	-	-	-	-
First Avenue	181,034	-	-	-	-	-	-
Trail	18,520	-	-	-	-	-	-
Siren	699	-	-	-	-	-	-
Biocentennial	999	-	-	-	-	-	-
Ambulance	14,067	-	-	-	-	-	-
Unassigned	1,227,000	-	-	-	-	(1,227,000)	-
Total cash basis fund balances	\$ 1,637,023	35,079	18,570	116,695	364,873	2,277	947,517

See notes to financial statements.

Exhibit C

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the Year Ended June 30, 2015

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 332,332	424,554	60,615	817,501
Operating disbursements:				
Business type activities	322,761	136,390	61,192	520,343
Excess (deficiency) of operating Receipts over(under) operating Disbursements	9,571	288,164	(577)	297,158
Non-operating receipts (disbursements):				
Interest on investments	2,138	740	437	3,315
Water deposits	5,810	0	0	5,810
Water deposits refunded	(5,250)	0	0	(5,250)
Miscellaneous	2,079	0	22,041	24,120
Debt service	(100,501)	(64,015)	0	(164,516)
Net non-operating receipts (disbursements)	(95,724)	(63,275)	22,478	(136,521)
Excess (deficiency) of receipts over (under) disbursements	(86,153)	224,889	21,901	160,637
Transfers out	(33,000)	0	0	(33,000)
Change in cash balances	(119,153)	224,889	21,901	127,637
Cash balances beginning of year	763,685	228,554	195,214	1,187,453
Cash balances end of year	\$ 644,532	453,443	217,115	1,315,090
Cash Basis Fund Balances				
Restricted:				
Nonexpendable:				
Utility deposits	\$ 19,874	0	0	19,874
Expendable:				
Debt service	72,086	10,136	0	82,222
Unrestricted	552,572	443,307	217,115	1,212,994
Total cash basis fund balances	\$ 644,532	453,443	217,115	1,315,090

See notes to financial statements.

CITY OF CASCADE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1) Summary of Significant Accounting Policies

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Cascade has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Cascade Municipal Utilities (CMU)	Created to finance, develop and operate the Municipal Utilities which provide gas and electric services to the City. The CMU governing body is composed of three members appointed by the City Council.

The Utility issues a publicly available audited financial report that includes financial statements and other supplementary information. The report may be obtained by writing to: Cascade Municipal Utilities; 320 1st Avenue West, PO Box 400; Cascade, Iowa 52033-0400.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions, and Dubuque and Jones County Joint E911 Service Boards.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and inter-governmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activities between the primary government (the City) and the discretely presented component unit (Cascade Municipal Utilities) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Non-expendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including customer utility deposits.

Expendable restricted net position results when constraints placed on the use of cash balances is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a

given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is utilized to account for property tax to be used for nonproprietary payroll taxes and employee fringe benefits.

The Local Option Sales Tax Fund is to account for local option sales tax collections and to ensure that they are disbursed in accordance with the voter approved resolution.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for other receipts, such as Urban Renewal Tax Increment Fund transfers, to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for major construction and improvement projects in the City.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's solid waste collection and disposal. As of January 1, 2015, activity in this fund was transferred to the General Fund.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints imposed by the City Council through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

2) **Cash and Pooled Investments**

The City's and Utility's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and Utility are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Account Standards Board Statement No. 3. However, the Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 1,004 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk - The City's and Utility's investment policies limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City and the Utility.

Credit Risk - The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

3) Notes Payable

Annual debt service requirements to maturity for general obligation notes, general obligation bonds and revenue bonds of the City are as follows.

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 402,344	50,207	45,000	23,810	447,344	74,017
2017	416,500	44,713	45,000	23,360	461,500	68,073
2018	421,500	39,218	45,000	22,685	466,500	61,903
2019	426,500	32,937	45,000	22,010	471,500	54,947
2020	435,000	25,851	45,000	21,110	480,000	46,961
2021-2025	440,000	29,104	240,000	89,290	680,000	118,394
2026-2030	0	0	285,000	51,310	285,000	51,310
2031-2032	0	0	125,000	6,420	125,000	6,420
Total	\$ 2,541,844	222,030	875,000	259,995	3,416,844	482,025

Water Revenue Bonds

On June 13, 2012, the City sold \$ 995,000 of water revenue bonds. The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a) The bond will only be redeemed from the future earnings of the Enterprise, Water Fund and the bond holders hold a lien on the future earnings of the fund. The bonds are callable June 1, 2019 and have a remaining balance of \$ 875,000.
- b) Net operating revenues are to equal 125% of the average amount of annual installments of principal and interest on all of the bonds and any other parity obligations outstanding from time to time, as the same becomes due.

- c) Sufficient monthly transfers shall be made to a “Water Revenue Sinking Fund” for the purpose of making the bond principal and interest payments when due.
- d) Additionally, \$ 68,810 is to be set aside from the bond proceeds to create a Principal and Interest Reserve Fund. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking fund.

For the current year, principal and interest paid and net operating receipts were \$ 64,210 and \$ 9,571, respectively.

Cascade Municipal Utilities Electric Revenue Notes

Annual debt service requirements to maturity for the electric revenue notes of the Cascade Municipal Utilities are as follows:

Year Ending June 30,	<u>Electric Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 140,000	54,740
2017	145,000	51,660
2018	145,000	47,962
2019	150,000	43,758
2020	155,000	39,032
2021-2025	<u>870,000</u>	<u>106,360</u>
Total	<u>\$ 1,605,000</u>	<u>343,512</u>

The resolution providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the Utility. The notes are callable June 1, 2017, at par.
- b) Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additionally, \$ 197,540 has been set aside from the note proceeds to create a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City and its discretely presented component unit (the Utility), except for those covered by another retirement system. Employees of the City and the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year salary.)

A protection occupation member may retire at normal retirement age which is generally at age 55. A protection occupation member may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate protection occupation member's monthly IPERS benefits include:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but no more than 30 years of services.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefits payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City and Utility contributed 8.93 percent for a total of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total of 16.90 percent.

The City's and Utility's contributions to IPERS for the year ended June 30, 2015 were \$ 38,113 and \$ 27,815, respectively.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$ 153,523. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportions for the regular membership group and the protection membership group were .004296 and .026069 percent, respectively, which was an increase of .000288 percent for the regular membership group and a decrease of .003011 percent for the protection membership group from their proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$ 14,877, \$ 9,563, and \$ 88,186, respectively.

At June 30, 2015, the Utility's liability for its proportionate share of the collective net pension liability totaled \$ 182,777. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the collective net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utility's proportion was .004516 percent, which was an increase of .000041 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Utility's collective pension expense, collective deferred outflows, and collective deferred inflows totaled \$ 13,680, \$ 10,052, and \$ 69,706, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City and the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's and Utility's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as

well as what the City's and Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension Liability (asset)			
City	\$ 349,976	153,523	(12,242)
Utility	345,352	182,777	45,547

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and spouses. There are 7 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Utility.

The City and the Utility finance the retirement benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 327 for single coverage and \$ 743 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$ 48,638 and plan members contributed \$ 7,279. The most recent active member monthly premiums for the Utility and plan members are \$ 399 for single coverage and \$ 770 for family coverage. For the year ended June 30, 2015, the Utility contributed \$ 44,996 and plan members contributed \$ 3,000.

6) Compensated Absences

The City and Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death.

These accumulations are not recognized as disbursements until used or paid. The City's and Utility's approximate liability for earned compensated absences payable to employees at June 30, 2015, are as follows:

<u>Type of Benefit</u>	<u>City Amount</u>	<u>Utility Amount</u>
Vacation	<u>\$ 16,000</u>	<u>\$ 20,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2015.

7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 are as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 17,372
	Employee Benefits	12,236
	Urban Renewal Tax Increment	<u>203,800</u>
		<u>233,408</u>
Debt Service	General	72,344
	Special Revenue:	
	Urban Renewal Tax Increment	<u>350,554</u>
		<u>422,898</u>
Capital Projects	General	124,000
	Special Revenue:	
	Urban Renewal Tax Increment	100,000
	Enterprise:	
	Water	<u>33,000</u>
		<u>257,000</u>
Total		<u>\$ 913,306</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8) Related Party Transactions

The City paid the Utility \$ 109,128 for gas, electric and collection service for the fiscal year ended June 30, 2015.

The City received \$ 2,964 for shared supplies, repairs and copier from the Utility for the fiscal year ended June 30, 2015.

9) Risk Management

The City and Utility are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City and Utility assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance in any of the past three fiscal years.

10) Developer Agreements

The City has entered into four development agreements to assist various urban renewal projects.

With the first agreement the City has agreed to rebate 70% of the incremental tax paid by the developer, in exchange for construction and operating of a grocery store by the developer on land within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2011 and continuing through and including June 1, 2021, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. During the year ended June 30, 2015, the City rebated \$ 17,576 under this agreement. The maximum remaining balance at June 30, 2015 was \$ 215,639.

With the second agreement the City has lent \$ 50,000 in October, 2010 in connection with the remodeling of a commercial building to be used as a chiropractic clinic. The note is payable in monthly installments of \$ 416.67 over 10 years with no interest. The balance at June 30, 2015 is \$ 29,583.

With the third agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a restaurant by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of six years beginning December 1, 2012 and continuing through and including June 1, 2018, or until such earlier date upon which payments equal to \$ 20,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. During the year ended June 30, 2015, the City rebated \$ 1,077 under this agreement. The maximum remaining balance at June 30, 2015 was \$ 14,648. Rebate payments under this agreement have been suspended, as the restaurant has ceased operations.

With the fourth agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a corporate office, gas station and convenience store on land located within the Cascade Urban Renewal Area and creation of 18 employment positions by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning with December 1, 2013 and continuing through and including June 1, 2023, or until such earlier date upon which payments equal to \$ 135,000 have been made. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. During the year ended June 30, 2015, the City rebated \$ 9,257 under this agreement. The maximum remaining balance at June 30, 2015 was \$ 115,402.

11) Commitments

The City is leasing the building housing the city ambulance service at a monthly amount of \$ 500. Total rents under this lease were \$ 6,000 for the fiscal year ended June 30, 2015. Although the lease expired at June 30, 2012 and has not been renewed, the City and lessor have continued the arrangement using the original lease terms.

12) Concentration of Credit Risk

The Cascade Municipal Utilities grants credit to its customers, all of whom are located in the municipal service area.

13) Contingencies

The City has received notice from the Iowa Department of Natural Resources (DNR) that the City's wastewater treatment plant is out of compliance with State regulations and is in violation of its facility permit. The City has acquired land for a new wastewater treatment plant at a cost of \$ 302,316 and entered into a \$ 498,000 contract for engineering services in connection with the new plant. It is anticipated that bids for the new plant will be awarded March 18, 2016. Construction will run

from April 1, 2016 to October 12, 2017. The engineer's preliminary cost estimate is \$ 7,469,100, which the City anticipates financing with the issuance of \$ 7,000,000 in revenue bonds through the State Revolving Fund (SRF). On October 19, 2015, the City entered into a \$ 400,000 planning and design loan with SRF at 0%.

14) Deficit Balance

The Capital Projects Fund had a deficit balance of \$ 1,227,000 at June 30, 2015. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated primarily through transfers.

OTHER INFORMATION

CITY OF CASCADE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS, PROPRIETARY FUNDS
AND DISCREETELY PRESENTED COMPONENT UNIT
OTHER INFORMATION
Year Ended June 30, 2015

	Governmental Funds	Proprietary Funds	Discretely Presented Component Unit	Total	Budgeted Amounts		Final to Total Variance
	Actual	Actual	Unit		Original	Final	
Receipts:							
Property tax	\$ 562,450	-	-	562,450	553,518	553,518	8,932
Tax increment financing	590,521	-	-	590,521	590,708	590,708	(187)
Other city tax	252,779	-	-	252,779	259,200	269,352	(16,573)
Licenses and permits	27,754	-	-	27,754	7,683	8,833	18,921
Use of money and property	14,836	3,315	28,392	46,543	34,849	21,768	24,775
Intergovernmental	257,814	-	-	257,814	524,836	723,552	(465,738)
Charges for service	308,389	817,501	2,999,447	4,125,337	3,976,404	4,108,333	17,004
Special assessments	6,303	-	-	6,303	2,381	5,500	803
Miscellaneous	19,739	29,930	192,357	242,026	27,000	45,745	196,281
Total receipts	2,040,585	850,746	3,220,196	6,111,527	5,976,579	6,327,399	(215,782)
Disbursements:							
Public safety	447,732	-	-	447,732	446,430	508,273	60,541
Public works	422,755	-	-	422,755	485,523	452,312	29,557
Culture and recreation	195,190	-	-	195,190	370,680	212,773	17,583
Community and economic development	50,399	-	-	50,399	79,322	61,412	11,013
General government	220,705	-	-	220,705	184,601	230,371	9,666
Debt service	426,924	-	-	426,924	549,974	426,954	30
Capital projects	769,004	-	-	769,004	974,000	958,000	188,996
Business type activities	-	690,109	2,543,061	3,233,170	3,395,737	3,673,112	439,942
Total disbursements	2,532,709	690,109	2,543,061	5,765,879	6,536,267	6,523,207	757,328
Excess (deficiency) of receipts over (under) disbursements	(492,124)	160,637	677,135	345,648	(529,688)	(195,898)	541,546
Other financing sources (uses), net	33,000	(33,000)	-	-	330,000	330,000	(330,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(459,124)	127,637	677,135	345,648	(179,688)	154,102	191,546
Balances beginning of year	1,406,641	1,187,453	2,638,118	5,232,212	4,148,826	4,148,826	1,083,386
Balances end of year	\$ 947,517	\$ 1,315,090	\$ 3,315,253	\$ 5,577,860	\$ 3,969,138	\$ 4,302,928	\$ 1,274,932

See accompanying independent auditor's report and notes to other information-budgetary reporting.

CITY OF CASCADE

Notes to Other Information - Budgetary Reporting

Year Ended June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2015, one budget amendment increased budgeted disbursements by \$ 16,940. The budget amendment is reflected in the final budgeted amounts.

CITY OF CASCADE
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND DISCRETELY
PRESENTED COMPONENT UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Fiscal Year
(In Thousands)
OTHER INFORMATION

	2015	
	Primary Government (City)	Discretely Presented Component Unit (Utility)
Proportion of the net pension liability (asset):		
Regular	.004296%	.004516%
Protective occupation	.026069%	-
Proportionate share of the net pension liability (asset):		
Regular	174	183
Protective occupation	(20)	-
Covered employee payroll:		
Regular	328	302
Protective occupation	87	-
Proportionate share of the net pension liability (asset) as a percentage of covered payroll:		
Regular	52.94%	60.61%
Protective occupation	(23.50)%	-
Plan fiduciary net position as a percentage of the total pension liability	87.61%	87.61%

See accompanying independent auditor's report and notes to other information - pension liability (asset).

CITY OF CASCADE
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND DISCRETELY
PRESENTED COMPONENT UNIT'S CONTRIBUTION

Last Six Fiscal Years

(In Thousands)

OTHER INFORMATION

	2015	2014	2013	2012	2011	2010
Primary Government (City);						
Statutorily required contribution	\$ 38	34	32	32	30	29
Contributions in relation to the						
Statutorily required contribution	(38)	(34)	(32)	(32)	(30)	(29)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
City's covered payroll	\$ 415	370	350	379	403	408
Contributions as a percentage of						
Covered employee payroll	9.18%	9.20%	9.09%	8.51%	7.57%	7.11%
Discretely Presented Component						
Unit (Utility):						
Statutorily required contribution	\$ 28	27	25	24	19	18
Contributions in relation to the						
Statutorily required contributions	(28)	(27)	(25)	(24)	(19)	(18)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Utility's covered employee						
Payroll	\$ 311	302	289	292	276	273
Contributions as a percentage of						
Covered employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

See accompanying independent auditor's report and notes to other information - pension liability.

CITY OF CASCADE

Notes to Other Information - Pension Liability

Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF CASCADE
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Primary Government:								
General obligation notes:								
Street improvement	Dec 20, 2006	4.95%	\$ 156,600	31,320	-	15,660	15,660	1,538
Street improvement	Nov 11, 2009	3.95	165,000	82,500	-	16,500	66,000	3,255
Ambulance acquisition	Oct 31, 2012	2.21	400,000	310,163	-	40,000	270,163	6,899
Total				<u>\$ 482,983</u>	<u>-</u>	<u>72,160</u>	<u>351,823</u>	<u>11,652</u>
General obligation bonds:								
Corporate purposes	Jul 1, 2012	1.00-2.00%	\$ 3,200,000	2,975,000	-	395,000	2,640,000	43,320
Revenue notes:								
Polk Street Lift Station	Feb 17, 2010	3.00%	\$ 137,000	62,000	-	62,000	-	1,085
Revenue bonds:								
Water	Jun 1, 2012	1.00-3.60%	\$ 995,000	915,000	-	40,000	875,000	24,210
Discretely Presented Component Unit:								
Revenue notes: Electric	Jan 27, 2011	2.00-4.10%	\$ 2,275,000	1,745,000	-	140,000	1,605,000	57,540

See accompanying independent auditor's report.

CITY OF CASCADE
BOND AND NOTE MATURITIES
June 30, 2015

Year Ending June 30,	Primary Government						
	General Obligation Notes						
	Street Improvement		Street Improvement		Ambulance Acquisition		Total
	Issued Dec 20, 2006		Issued Nov 11, 2009		Issued Oct 31, 2012		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
2016	4.95%	\$ 15,660	3.95%	\$ 16,500	2.21%	\$ 30,163	62,323
2017		-	3.95	16,500	2.21	40,000	56,500
2018		-	3.95	16,500	2.21	40,000	56,500
2019		-	3.95	16,500	2.21	40,000	56,500
2020		-		-	2.21	40,000	40,000
2021		-		-	2.21	40,000	40,000
2022					2.21	40,000	40,000
Total		\$ 15,660		\$ 66,000		\$ 270,163	351,823

Year Ending June 30,	Primary Government				Discretely Presented	
	General Obligation Bonds		Revenue Bonds		Component Unit	
	Corporate Purpose		Water		Revenue Bonds	
	Issued Jul 1, 2012		Issued Jun 1, 2012		Issued Jan 27, 2011	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2016	1.00%	\$ 340,000	1.00%	\$ 45,000	2.20%	\$ 140,000
2017	1.10	360,000	1.50	45,000	2.55	145,000
2018	1.30	365,000	1.50	45,000	2.90	145,000
2019	1.50	370,000	2.00	45,000	3.15	150,000
2020	1.70	395,000	2.00	45,000	3.40	155,000
2021	1.85	400,000	2.40	45,000	3.60	160,000
2022	2.00	410,000	2.40	45,000	3.75	165,000
2023		-	2.80	50,000	3.90	175,000
2024		-	2.80	50,000	4.00	180,000
2025		-	2.80	50,000	4.10	190,000
2026		-	3.00	55,000		-
2027		-	3.00	55,000		-
2028		-	3.20	55,000		-
2029		-	3.40	60,000		-
2030		-	3.40	60,000		-
2031		-	3.60	60,000		-
2032		-	3.60	65,000		-
Total		<u>\$ 2,640,000</u>		<u>\$ 875,000</u>		<u>\$ 1,605,000</u>

See accompanying independent auditor's report.

Schedule 3

CITY OF CASCADE
 SCHEDULE OF RECEIPTS BY SOURCE
 AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS
 For the Last Six Years

	2015	2014	2013	2012	2011	2010
Receipts:						
Property Tax	\$ 562,450	535,497	521,631	475,560	454,211	444,562
Tax increment financing	590,521	548,073	550,307	503,479	496,139	432,131
Other city tax	252,779	244,047	258,214	251,628	233,362	240,517
Licenses and permits	27,754	25,252	7,151	7,008	7,933	7,226
Use of money and						
Property	14,836	20,555	30,569	7,306	24,625	26,638
Intergovernmental	257,814	245,229	464,596	391,434	634,808	211,296
Charges for service	308,389	203,067	172,214	198,044	164,045	92,195
Special assessments	6,303	2,372	7,127	14,962	8,482	46,354
Miscellaneous	19,739	27,004	86,027	29,643	63,696	25,234
Total	\$ 2,040,585	1,851,096	2,097,836	1,879,064	2,087,301	1,526,153
Disbursements:						
Operating:						
Public safety	\$ 447,732	239,492	542,882	417,858	356,283	273,074
Public works	422,755	346,394	330,323	342,369	330,388	418,696
Culture and recreation	195,190	176,181	157,292	198,736	163,113	176,266
Community and						
Economic development	50,399	120,812	213,342	96,861	116,282	312,345
General government	220,705	223,022	219,344	204,786	186,458	198,764
Debt service	426,924	559,764	371,110	263,201	261,384	338,932
Capital projects	769,004	1,635,242	3,070,245	519,150	859,861	205,124
Total	\$ 2,532,709	3,300,907	4,904,538	2,042,961	2,273,769	1,923,201

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, the discretely presented component unit and each major fund of the City of Cascade, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cascade's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cascade's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cascade's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Cascade's Responses to Findings

The City of Cascade's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Cascade's responses were not subjected to the auditing procedures in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cascade during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 4, 2015



Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CASCADE, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF CASCADE
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget - Disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.
- II-B-15 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between City and City officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF CASCADE
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

II-H-15 Records of Account - Ambulance receipts are collected by a third party and later transferred to the City by the agent. This account is not included in the City's records. At June 30, 2015, this account had a balance of \$ 7,040. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of the ambulance should be recorded in the City's records.

Response - We will determine the best way to do this.

Conclusion - Response accepted.

II-I-15 Financial Condition - The Capital Projects Fund had a deficit balance of \$ 1,227,000 at June 30, 2015.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The City is aware of the problem and is considering several options to eliminate the deficit, including transfer of committed fund balance to the Capital Projects Fund,

Conclusion - Response accepted.

CITY OF CASCADE
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

II-J-15 Economic Development Loan - The City had previously entered into a \$ 50,000 interest free economic development loan with a Cascade business. During the fiscal year ended June 30, 2015, the City received only ten of the twelve required payments.

Recommendation - The City needs to establish procedures to monitor the loan payments to make sure the business is current on its payments.

Response - We are doing this.

Conclusion - Response accepted.